

April 30, 2010



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Dear Friend,

Although the recent 1.6 percent rise in retail sales announced by the Commerce Department provides some hope for economic recovery, high unemployment (13.1 percent – the highest yet) persists in the Sacramento region. At this fragile time, the government is poised to hit small businesses – which account for 87.6 percent of businesses in the Sacramento area – with a one-two punch that I fear may prove to be the ultimate knock-out for small business. This week I introduced legislation ([H.R. 5141](#)) to prevent this from taking place.

A provision in the health care reform bill (H.R. 3590, Sect. 9006) requires any business that purchases more than \$600 of goods or services from another business to provide that business and the IRS with a 1099 tax form. Goods and services purchased by a small business – ranging from internet and phone services, shipping services, travel, lodging, and food expenses – will now give rise to a new paperwork burden at tax time. [According to the National Federation of Independent Businesses \(NFIB\)](#), “small businesses spend more than \$74 per hour on meeting their compliance obligations, which represents the most expensive paperwork burden that the government imposes on small business owners.” Adding a separate 1099 requirement for virtually every business-to-business transaction will only add to this cost.


Moreover, businesses will now have an incentive to buy from fewer suppliers in order to avoid the cumbersome paperwork burden which will grow any time they purchase more than \$600 from an additional supplier. It may become easier to rely on a single large supplier than to shop around. Smaller companies may feel the effects of this incentive when customers decide to avoid the hassle and consolidate their suppliers.

Obviously, this provision in the health care bill has nothing to do with health care. The provision was added in order to claim another revenue source to fund the health care bill. Regardless of what one's view is with respect to the health care bill, it is my hope that we will all be able to agree that enlisting businesses as an enforcement arm of the IRS to snatch on companies with which they do business is the wrong way to proceed.

This is why I introduced legislation ([H.R. 5141](#)) to repeal Section 9006 and prevent this unprecedented, onerous burden from being placed on small businesses. Clearly the success of small business will be essential to our long-term economic recovery and we should be looking for ways to help relieve these job creators of burdens rather than imposing new ones.

Sincerely,

Daniel E. Lungren
Member of Congress

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Washington Office • 2262 Rayburn HOB • Washington DC 20515
Phone: (202) 225-5716 • Fax: (202) 226-1298

District Office • 2339 Gold Meadow Way, Suite 220 • Gold River, CA 95670
Phone: (916) 859-9906 • Fax: (916) 859-9976

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